A Report from the

Risk Management Agency, U.S. Department of Agriculture,

regarding:

The Department of Agriculture's Annual Report to the Committee on Agriculture of the U.S. House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the U.S. Senate Regarding the Progress Made in Developing and Improving Federal Crop Insurance for Organic Crops.

March 2017

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Introduction

The Risk Management Agency (RMA) provides this report, pursuant to section 508(c)(6)(D) of the Federal Crop Insurance Act, which states:

> "The Corporation shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an annual report on progress made in developing and improving Federal crop insurance for organic crops, including:
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> i. the numbers and varieties of organic crops insured;
> ii. the progress of implementing the price elections required under this subparagraph, including the rate at which additional price elections are adopted for organic crops;
> iii. the development of new insurance approaches relevant to organic producers; and
> iv. any recommendations the Corporation considers appropriate to improve Federal crop insurance coverage for organic crops."

In this report, RMA addresses the requirements above, and provides: 1) a brief summary of our previous reports regarding our progress in establishing organic price elections and alternative options for organic coverage; 2) information regarding the number and variety of crops for which we introduced organic price elections for the 2017 and 2018 crop years; 3) our ongoing efforts to obtain additional data and information to aid future development of price elections for crops for which we do not yet offer premium[1] organic price elections; and 4) recommendations to improve RMA's ability to set organic price elections.

Over the past year, RMA has added 21 new organic price elections. With the expected upcoming addition of organic prices for pasture, rangeland, and forage, 100 percent of the crops insured by Federal crop insurance for the 2018 crop year have been assessed for organic coverage.

Previous Reports to Congress

This is the fourth annual report to Congress on the progress of implementing organic price elections. The 2014 Report provided RMA's data quality requirements, a list of organic price elections through the 2014 crop year, and summarized alternative tools to provide organic crop insurance coverage.[2] The 2015 Report provided an updated list of organic price elections through the 2015 crop year and detailed RMA's organic data collection efforts.

In addition to providing an updated list of organic price elections, the 2016 Report highlighted the expansion of the Whole-Farm Revenue Protection (WFRP) program and detailed RMA's collaboration with other USDA agencies to obtain organic price data.

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[1] 'Premium organic price election' and 'organic price election' are used interchangeably throughout this report. The distinction of 'premium' organic price election is often made to acknowledge that organic crops are still insurable at conventional price election values, even if a premium price above that of the conventional practice, is not available.

[2] Previous reports are available at http://www.rma.usda.gov/pubs/

Data quality requirements

All of RMA's previous reports have stressed the importance of RMA's data quality requirements and the need for more data in order to develop additional organic price elections. The lack of available quality data continues to be the single most significant constraint to offering additional organic price elections. In order to meet the data quality requirements, the data must reflect a representative sample of the relevant organic producer population, be accurate, unbiased, and be available to RMA on a recurring basis. Additionally, in order to use the data directly to establish an organic price election, the data must be volume-weighted and must reflect the price received by producers (i.e., the price must not include the cost of value-added services beyond the farm-gate level).

Existing data sources

RMA's 2014 Report detailed the primary data sources available. These sources are largely unchanged and are summarized here for convenience.

When response-level data are available on a recurring basis, National Agricultural Statistics Service (NASS) data typically meet RMA's data quality requirements and are the preferred data source for organic price elections. The data are accurate, unbiased, volume weighted, and representative. Prices are often reported at the farm-gate level. For some crops, prices are reported at a price point located further in the supply chain and separate post-harvest cost information is still required to determine farm-gate values.

Agricultural Marketing Service (AMS) Market News collects organic and conventional price quotes at various points in the supply chain (e.g., farm-gate, Shipping Point, Terminal Market, Retail). For some crop types (mainly organic grain and feedstuffs), prices are volume-weighted and are reported at the farm-gate level. For other crop types (most specialty crops, including fruits and vegetables), reported prices are not volume-weighted and are reported at points located further in the supply chain. For price data that are not volume-weighted, RMA cannot use the data directly to establish organic price elections, but can still use the prices to establish factors (or ratios) showing the historical premium of the organic price relative to the conventional price. These factors are applied to the conventional price election to establish organic price elections.

Trade groups and industry sources also contribute data that RMA uses to develop organic price elections. Private data sources fill a critical gap because they are often the only source of data available for specific crop types or marketing regions. RMA makes every effort to verify that proprietary data meet our data quality requirements. However, in some cases, RMA might not be able to verify the sample sizes and representativeness of private data sets. In other cases, the price data may not be reported at a farm-gate level. Also, RMA cannot guarantee the future availability of such data sets because a private party offers data to RMA at their discretion. Thus, not all private data can be used to develop organic price elections.

Progress in Implementing Organic Price Elections

New and expanded offerings of premium organic price elections

Since the last report, RMA has added many new organic price elections and expanded a number of existing price elections to new areas and types. Organic price elections have been expanded for dry beans, forage production, processing tomatoes, table grapes, and fresh freestone peaches and are now offered in all states with an existing plan of insurance. Coverage was also expanded in Florida for oranges.

For the 2017 crop year, RMA added new organic price elections for: banana, banana tree, coffee, coffee tree, extra-long staple cotton, fresh market beans, fresh market tomatoes, papaya, papaya tree, peaches, pistachios, and prunes. The owner[3] of the cottonseed endorsement also added an organic price election, bringing the total number of new 2017 crop year price elections to 13.

For the 2018 crop year, RMA has already added organic price elections for macadamia nuts, early and midseason oranges, late oranges, Rio Red and Star Ruby grapefruit, Ruby Red grapefruit, all other grapefruit, avocado trees, and orange trees. RMA is also planning to add organic price elections for pasture, rangeland and forage.

With these new additions, RMA will offer premium organic price elections for 79 of 98 crops in the 2018 crop year, up from 57 crops as of last year's report. At this time, all 98 crops have been assessed for organic coverage.[4]

Crops that do not require a premium organic price election

Of the 19 crops that do not receive a distinct organic price election, all have been evaluated for the potential of an organic price election. These are identified as "Crops Assessed for Organic Coverage" in the chart below. These crops do not currently receive an organic price election because either: a) there is no known organic production in insured areas; b) there is limited production and no available data that meet RMA's data quality requirements; or c) pricing data suggest the organic crop does not receive a premium over conventional products.

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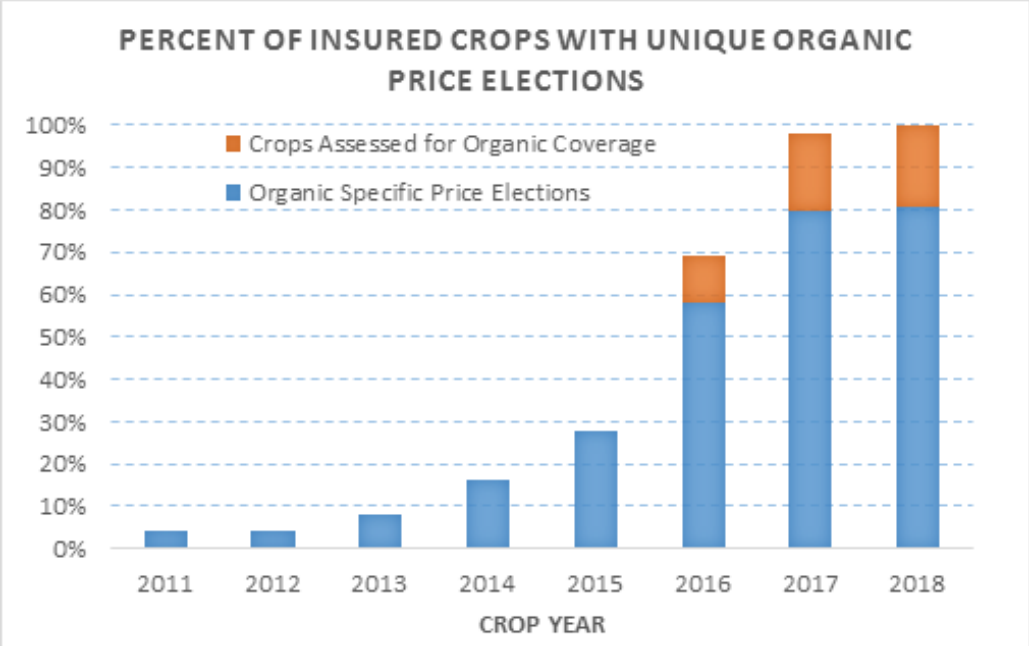
[3] Section 508(h) of the Federal Crop Insurance Act allows private parties to develop insurance products (commonly referred to as 508(h) Submissions), including: 1) crop insurance policies, 2) provisions of policies, or 3) rates of premium. The 508(h) Submissions are exempt from Federal Crop Insurance Corporation requirements limiting coverage levels, rates, and prices under Section 508(h)(2). RMA does not have the regulatory authority to require the owners of these products to create premium organic price elections for their submissions. Therefore crops and/or crop types insured under 508(h) Submissions are considered exempt from RMA's organic price election requirements.

[4] Based on the distinct number of crops listed in RMA's online Actuarial Information Browser. Crops with Actual Revenue History (ARH) plans of insurance, WFRP, nursery, clams, livestock policies, 508(h) Submissions other than the cottonseed endorsement, and crop policies that require a contract are not included in the total. Corn silage was added to the total. Crops assessed for organic coverage but do not require a premium organic price election are counted toward meeting the requirement of offering organic coverage but are not included in the total crop count of 79. For those commodities identified as having an organic price, it does not mean RMA offers a premium organic price for all types and locations.

These crops are: alfalfa seed, all other citrus trees, canola, carambola trees, chile peppers, cigar filler tobacco, cigar wrapper tobacco, fire cured tobacco, forage seeding, lemon trees, lime trees, limes, macadamia trees, mango trees, peppers, processing apricots, processing freestone peaches, sugar beets, and tangors.



Additional Crop Insurance Options for Organic Producers

Contract price option offered under the Contract Price Addendum

The contract price option (www.rma.usda.gov/pubs/rme/addendum.pdf) allows organic producers and those transitioning to organic practices who receive a contract price for their crop to get a crop insurance guarantee that is more reflective of the actual value of their crop. Where available, producers are able to use their personal contract price as their price election, or choose existing crop insurance price elections. The contract price option is currently available for 66 crops.

Expansion and improvements to Whole-Farm Revenue Protection (WFRP)

The Whole-Farm Revenue Protection (WFRP) provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to $8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), and those marketing to local, regional, farm-identity preserved, specialty, or direct markets. All certified organic commodities may be insured at their farm-level organic prices provided the farm meets eligibility restrictions. For the 2016 crop year WFRP was expanded to cover all states and counties nationwide. In that year 86 organic crops were covered under WFRP with a total coverage amount of $18.5 million.

Cooperative Efforts with Other USDA Agencies to Obtain Data

AMS Specialty Crops Market News

AMS Specialty Crops Market News collects and reports organic price data on a wide range of crops at price points located throughout the supply chain. The Shipping Point price is the price point that best approximates the price received by the farmer because this price contains fewer value-added services than prices further down the supply chain (i.e. Terminal Market/Wholesale and Retail).

The table below contains a list of organic crops reported by AMS Specialty Crops Market News at the Shipping Point level. At this time, RMA has developed premium organic price elections for all crops reported at the Shipping Point level by AMS Specialty Crops Market News where RMA has an applicable plan of insurance.

AMS Organic Specialty Crop Reporting (Shipping Point)			
Crops for which RMA offers organic coverage in location(s) where AMS collects the data	**Crops for which RMA offers organic coverage in location(s) other than where AMS collects the data**	**No organic coverage is provided by RMA**	**Crops not insured by RMA[a]**
Apples, Avocados, Blueberries, Cabbage, Lemons, Oranges, Pears, Bell, Potatoes, Strawberries[b], Tomatoes (Grape), Tomatoes (Plum)	Green Beans[c], Sweet Corn, Tomatoes[d]	Peppers[e], Sweet Potatoes[f]	Anise, Artichokes, Broccoli, Beets, Cantaloupes, Carrots, Cauliflower, Celery, Cilantro, Eggplant, Greens, Honeydew, Lettuce, Misc. Melons, Mango, Misc. Berries, Onions, Parsley, Radish, Spinach, Squash, Watermelons

[a] Not including Whole-Farm Revenue Protection.

[b] Crop is insured under an Actual Revenue History (ARH) plan of insurance which allows for organic coverage.

[c] Green beans are not insurable in California, the only shipping point reported. The existing plan of insurance covers production in New York, North Carolina, and Virginia. Beginning with the 2017 crop year RMA offered a premium organic price election in these three states, however expanding reporting to include these states would help RMA enhance the accuracy of these organic price elections.

[d] Tomatoes are insurable under two different plans of insurance. In Central/South Florida, tomatoes are insurable under a cost of production plan of insurance and price data are insufficient to determine organic costs of production. In other states (Alabama, Arkansas, California, North Florida, Georgia, Maryland, Pennsylvania, South Carolina, Tennessee, and Virginia), tomatoes are insurable under a yield based plan of insurance and expanded reporting would help RMA to develop organic price elections. The existing plan of insurance covers production for cherry, grape, plum, round, and other unspecified types. In covered states, AMS is currently only reporting the grape type.

[e] Bell peppers are only insurable under a cost of production plan of insurance in Florida. AMS currently does not report data for Florida. Expanded reporting to include Florida could help RMA develop an organic price election but price data alone are insufficient because organic costs of production are also needed.

[f] Sweet potatoes are insured under a 508(h) Submission and are exempt from Federal Crop Insurance Corporation price requirements. They are insurable only in Louisiana, and AMS collects data for California.

AMS Livestock, Poultry and Grain Market News

Prices for organic grains and feedstuffs are reported, when available, both at the farm-gate level and delivered to an elevator. Some crop prices are also reported for forward contracts. Regular reporting on some organic grains is limited to the point that the data do not meet RMA's data quality standards. Given the irregularity of price reporting of these crops, it is not possible to determine a season average price or an appropriate factor to establish an organic price election using these data.

Reporting on organic prices for dry edible beans was added in September 2015. Data for dry edible beans are now reported at two different points in the supply chain and are reported by type, which has contributed to RMA's development of new price elections.

The table below contains a list of organic crops reported by AMS Livestock, Poultry and Grain Market News. RMA has developed premium organic price elections for all crops regularly reported by AMS Livestock, Poultry and Grain Market News.

Crop Reported	**RMA Organic Coverage***
Barley	Yes
Corn	Yes
Dry Edible Beans	Yes
Grass and Alfalfa Hay	Yes
Millet	Yes
Oats	Yes
Roasted Soybeans	*-not insured*
Rye	Yes
Sorghum	Yes
Soybean Meal	*-not insured*
Soybean Oil	*-not insured*
Soybeans	Yes
Spring Wheat	Yes
Straw	*-not insured*
Triticale	*-not insured*
Winter Wheat	Yes

* Some crops have organic price elections derived from other data sources.

RMA continues to work with AMS to improve the usability of AMS data for organic price elections.

NASS Organic Producer Surveys

NASS has completed four Organic Producer Surveys (2008, 2011, 2014, and 2015) and is currently collecting data for the 2016 survey with an expected release in September 2017. RMA has provided funding for three of the five surveys. Since 2011, RMA has worked with NASS to improve survey methods and expand data collection to include specific crop types and varieties not listed in previous surveys. The 2015 survey reflected over twelve thousand certified organic producers and 4.4 million acres of organic farmland.

While the Organic Producer Surveys have been an important data source for developing organic price elections, NASS is unable to share unpublished data with RMA because of the Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA).

Information collected under CIPSEA (including data from NASS Surveys) is to be used solely for statistical purposes in a manner that does not reveal the identities of individual survey respondents. In order to protect the identities of organic producers when publishing survey results for public dissemination, NASS uses data suppression techniques to withhold any data that could be used with other information to reveal an individual's identity. This often means suppressing data from markets with very few participants as well as data from markets with a high degree of market concentration (primary suppression). However, survey data are also subject to secondary suppression, where additional data that would not have otherwise been withheld are aggregated with data from the primary suppression in order to conceal the identities of those producers. Given the very limited amount of organic production of some crops, especially those crops that do not yet have an organic price election, these data suppression techniques greatly limit RMA's access to critical data.

RMA does have the option to visit a NASS Data Lab. However, the use of a Data Lab has posed several challenges to RMA. While RMA is able to view response-level data at the lab, the data must still be aggregated to a level that meets CIPSEA requirements to be subsequently removed from the lab.

RMA is only able to analyze specific data sets made available by NASS while at the Data Lab. This precludes RMA from analyzing the relationship between NASS data and data from other sources. Finally, and most importantly, RMA's investigative and analytical capabilities are diminished by the use of a Data Lab. A typical research process for developing price elections for crop insurance is both iterative and cumulative, where the findings from an initial research question lead to additional research questions that also need to be investigated. RMA's use of Survey data goes beyond extracting the price. Other data are used to identify patterns, trends, and relationships between price and other variables (including but not limited to production, yield, planted/harvested acres, imports/exports, price and production of competing, substitute, or conventional crops, etc.).

Efforts to Obtain Data and Gather Feedback

Contract for organic research

As outlined in our 2014 Report, RMA entered into a contract with a private firm, Agralytica, titled, "Indefinite Delivery, Indefinite Quantity (IDIQ) for Pricing Reviews and Information" with a total budget of approximately $980,000. The work required under the contract involves: 1) identifying, contacting, and working with producers and point-of-first-sale purchasers to gather pricing and marketing information; 2) constructing cost of production budgets; and 3) compiling and analyzing results of the research so as to help RMA generate organic price elections.

Results from the first task provided RMA with the necessary resources to identify and compile datasets, which were ultimately sufficient to add organic price elections for table grapes and raisins. The second task was to identify point-of-first-sale market information for sweet corn (Colorado, Florida, and New York), tomatoes (Florida), peppers (Florida), and dry peas and lentils (Montana, North Dakota, and Washington). Although the market information for sweet corn, tomatoes, and peppers was extremely limited, the market information on dry peas and lentils contributed to RMA's success in developing new organic price elections for dry peas, beginning with the 2016 crop year.

For the second task, RMA also requested cost-of-production budgets for both organic and conventional production of sweet corn, tomatoes, and peppers because they are each covered under Dollar plans of insurance covering cost of production. Due to the very limited size of organic production of these crops in Florida, Agralytica was unable to develop organic cost-of-production budgets. Without representative organic cost estimates, premium organic coverage for these crops cannot be added. It is unclear how successful future research efforts may be at developing representative cost estimates as results showed that it is not possible to identify an adequate number of organic producers of these crops as would be necessary to develop organic cost-of-production budgets.

The third task was completed in 2016. Under this task, Agralytica was requested to gather market information and post-harvest cost-of-production budgets for apples (in Midwest and Eastern states) and pricing data for wheat. The post-harvest cost data for apples have been incorporated into price elections for both organic and conventional apples, but no new sources of organic apple and wheat pricing data were identified that meet data quality requirements.

Outreach and education

Throughout the year, RMA staff has engaged in public outreach to educate producers about organic crop insurance options and to gather feedback about existing programs. In 2016, RMA:

- Attended over 25 industry conferences and grower meetings, presenting information about organic coverage and WFRP. Conferences attended include: Midwest Organic and Sustainable Education Service Conference, National Small Farm Conference, Ohio Ecological Food and Farm Association, Organic Commodity and Livestock Conference, and New Mexico Organic Conference.

- Visited organic farms in Minnesota, Montana, North Carolina, Pennsylvania, and Virginia.
- Participated in a webinar on Organic Crop Insurance hosted by the USDA Organic Working Group and a webinar entitled *Crop Insurance to Help Organic and Diversified Farmers Manage Risk*.
- Hosted a public forum in Prosser, Washington to discuss WFRP and organic producer options.

Recommendations

Full access and use of survey data

Consistent pricing data are needed to establish organic price elections. The issue of limited data in some markets is compounded by data suppression methods used by data collection agencies to protect the privacy of survey respondents. Given the very limited number of participants in many organic markets, there are often data collected by these agencies that cannot be published or made available to RMA because it is protected under CIPSEA. CIPSEA stipulates that all data collected must be used for strictly statistical purposes. Given that RMA would use the data to establish organic price elections, NASS has determined RMA's intended purpose does not meet the definition of a statistical use.

If RMA was granted authority to obtain unpublished NASS Organic Survey data for organic price elections, the complications and limitations associated with use of a NASS Data Lab could be avoided and access to needed data could be guaranteed, while maintaining producer privacy. RMA uses producer data in a confidential manner to determine, by crop, type, and region, the most appropriate price election. Price elections represent RMA's forecast for a given crop year and do not reflect any specific data point used in the analysis. Prices reported in the Survey would not be identifiable via RMA's published price elections, and thus would not violate the CIPSEA privacy guidelines.

Funding

RMA continues to work with NASS to improve survey questionnaires to increase the likelihood that organic data collected will be able to be published. RMA and NASS have coordinated plans to continue regular surveys through the 2018 crop year. As stated in the 2015 Report, to ensure NASS is able to continue conducting organic surveys on an annual or biennial basis beyond the 2018 crop year, a designation of funds specifically for organic data collection may be necessary.

Conclusion

RMA is pleased to report that it has made significant progress in developing premium organic price elections. Over the past year, 21 new organic price elections have been added. With the expected upcoming addition of organic prices for pasture, rangeland, and forage, 100 percent of the crops insured by Federal crop insurance for the 2018 crop year have been assessed for organic coverage.

Creating organic price elections for additional crops following the 2018 crop year will be dependent upon data availability. Organic price data that meets RMA standards for these crops are especially scarce and data that meets the requirements for actuarial soundness and good insurance principles would be necessary before organic prices could be added.

RMA continues efforts to locate and analyze new sources of data. Every crop is evaluated annually to determine if there are new or updated sources of organic information sufficient to develop or enhance premium organic price elections. RMA will continue to pursue opportunities for the acquisition of organic price data and information to the maximum extent practical, given funding constraints. As data are obtained from these efforts, the resulting additional organic prices available to producers will assist RMA in continuing to improve the Federal crop insurance program.